

P-548, 430/CP-93-854 ORDER ACCEPTING COST STUDIES AND SETTING RATES FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
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Commissioner

In the Matter of a Petition for Extended Area
Service from the Miltona Exchange to the
Alexandria Exchange

ISSUE DATE: February 7, 1995

DOCKET NO. P-548, 430/CP-93-854

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SETTING RATES FOR POLLING

PROCEDURAL HISTORY

On August 30, 1993, the Lake Miltona Property Owners Association filed a petition requesting extended area service (EAS) from the Miltona exchange to the Alexandria exchange. Miltona's 674 access lines are served by Midwest Telephone Company (Midwest); Alexandria's 9,954 access lines are served by United Telephone Company (United).

In Orders dated December 22, 1993, and March 25, 1994, the Commission found that the petition satisfied the adjacency and traffic volume criteria of the EAS statute, Minn. Stat. § 237.161. The Commission ordered the telephone companies to file cost studies and proposed rates to prepare for balloting.

In May, 1994, Midwest and United filed the required cost studies and proposed rates. The companies submitted alternative rates using cost allocation splits of 75%/25%, 60%/40%, and 50%/50%.

On July 18, 1994, the Department of Public Service (the Department) filed a report and recommendations. The Department recommended that the Commission accept the cost studies¹ with a 75%/25% cost allocation between Miltona and Alexandria. The Department reasoned that Miltona customers should carry the greater burden because they alone have the opportunity to vote on the implementation of EAS. The Department argued against a 60%/40% cost split because the resulting rate increase of \$0.11 to Alexandria customers would nearly double Alexandria's current EAS additive of \$0.15.

On January 31, 1995, the matter came before the Commission for consideration. At that meeting the Department stated that it had changed its recommendation regarding the cost allocation between the petitioning and petitioned exchanges. The Department now supported a 60%/40% cost allocation, based on an examination of the impact on rates.

The Department believed that a 60%/40% allocation should be adopted if a one cent increase in rates for the petitioned exchange would decrease rates for the petitioning exchange by 15 cents or more. The Miltona/Alexandria rates fit this formula. The Department also looked at the cost per additional access lines for the exchanges. The Department found that customers in the

¹ United recalculated its cost studies to correct an error of \$1,259.00 noted by the Department.

petitioning exchange would be paying more per additional access line, as well as more for the EAS additive itself, than customers in the petitioned exchange. The Department believed that these findings supported a 60%/40% cost allocation.

FINDINGS AND CONCLUSIONS

The Commission finds that the cost studies submitted by the companies, with the correction in United's study, conform to Commission requirements and are acceptable.

In determining the proper cost allocation, the Commission looks at the relative burdens and benefits to the petitioning and petitioned exchanges, the size of the exchanges, and financial impact. In this case, the Commission finds that these factors point to 60%/40% as the proper cost allocation. This allocation will allow Miltona customers to shoulder a proper part of the costs as they gain the benefits of access to a significantly larger exchange. At the same time, the relatively small number of Miltona customers will not be overburdened with too great a share of the EAS rate additives.

The Commission will adopt EAS rates for polling with a 60%/40% cost allocation.

ORDER

1. The Commission adopts the following rates for the Miltona/Alexandria petition:

Miltona (Midwest)

1-party residence	\$ 7.88
1-party rural residence	8.89
1-party business	10.74
1-party rural business	11.69
PBX & key system	13.97

Alexandria (United)

1-party residence	\$	0.30
measured service-res.	-0-	²
2-party residence		0.28
4-party residence		0.24
1-party business		0.61
measured service-bus.		-0-
semi-public payphone		0.61
trunk		0.76
measured service-trunk		0.44

² United proposed no increase for its measured service customers. Typically, increased usage for calls to the petitioning exchange will raise additional revenue from Alexandria measured service subscribers.

school service 0.46
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2. In preparing rates for balloting, Midwest shall:
 - a. Cooperate fully with Commission Staff and the Commission's contractor to conduct a poll of all access lines in the Miltona exchange;
 - b. Provide a useable, deliverable address for each access line in a format and according to a timeframe established by Commission Staff;
 - c. Provide proof of the accuracy of the customer list as requested by Commission Staff;
 - d. Provide a list of Miltona subscribers as of the date specified by Commission Staff for polling the Miltona exchange.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)